

Message Text

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ACTION MMO-01

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TAGS: ECRP, EG
SUBJECT: CERP 0006 - TRADE OUTLOOK ARTICLE, EGYPT

1. FOLLOWING IS THE TEXT OF THE SUBJECT CERP REPORT,
WHICH IS BEING SUBMITTED ON A VOLUNTARY BASIS. IF
THE ARTICLE IS PUBLISHED IN "COMMERCE AMERICA", WE
WOULD APPRECIATE IT BEING ATTRIBUTED TO COMMERCIAL
ATTACHE JAMES W. EIGHMIE, JR.

2. EGYPT - U.S. EXPORTS POST LARGE INCREASES

- U.S. EXPORTS TO EGYPT REACHED A VALUE OF \$983.4
MILLION IN 1977, A DRAMATIC 13-FOLD INCREASE OVER THE
1972 FIGURE, AND A 21 PERCENT GAIN OVER THE \$810 MIL-
LION LEVEL OF 1976. WITH INCREASES IN THE EXPENDITURE
RATES OF THE U.S. AID PROGRAM, U.S. EXPORTS TO EGYPT
SHOULD TOP ONE BILLION DOLLARS IN 1978. AID'S COMMO-
DITY IMPORT PROGRAM IS CURRENTLY MAKING DISBURSEMENTS
AT A RATE OF APPROXIMATELY \$40 MILLION PER MONTH AND
EXPENDITURES FOR THE CAPITAL DEVELOPMENT PROGRAM WILL
INCREASE MARKEDLY AS INDIVIDUAL PROJECTS MOVE FROM THE
STUDY STAGE TO ACTUAL IMPLEMENTATION.

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- AGRICULTURAL COMMODITIES, INCLUDING WHEAT AND
WHEAT FLOUR (LARGELY FINANCED THROUGH THE PL-480 PRO-
GRAM) AND EDIBLE OILS (FINANCED TO A SIGNIFICANT EXTENT
BY AID) WILL CONTINUE TO BE MAJOR ITEMS. ALSO OF NOTE
IS THE ALMOST \$50 MILLION IN EXPORTS OF U.S. COTTON IN
1977 - A RISE FROM LESS THAN \$1 MILLION IN 1976. SUB-

STANTIAL EXPORTS OF U.S. COTTON CAN BE EXPECTED TO CONTINUE AS EGYPT SUBSTITUTES SHORT-STAPLE IMPORTED COTTON FOR ITS HIGHER-QUALITY MEDIUM AND LONG STAPLE COTTON IN THE PRODUCTION OF LOW-PRICED "POPULAR" TEXTILES.

- SUBSTANTIAL EXPORT GAINS CAN BE ANTICIPATED DURING THE NEXT YEAR IN THE AREAS OF FOOD PROCESSING EQUIPMENT, ELECTRICAL GENERATION AND DISTRIBUTION EQUIPMENT, AND WATER TREATMENT AND HANDLING MACHINERY. IN ADDITION, TELECOMMUNICATIONS EQUIPMENT AND MISCELLANEOUS ELECTRICAL MACHINERY SHOULD HAVE STRONG POTENTIAL.

- ONE SOURCE OF POSSIBLE FUTURE DIFFICULTIES, HOWEVER, IS THE APPARENT SHIFT IN GOE TRADE POLICY TOWARD INCREASING RESTRICTIONS ON IMPORTED GOODS, EVEN WHEN THESE ITEMS ARE FINANCED WITH THE IMPORTER'S OWN FOREIGN EXCHANGE HOLDINGS. FOR EXAMPLE, AN EGYPTIAN GOVERNMENT COMMITTEE WAS RECENTLY ESTABLISHED TO REVIEW APPLICATIONS FOR THE IMPORT OF CERTAIN SPECIFIED COMMODITIES AND TO MAKE A FINAL DETERMINATION ON WHETHER AN IMPORT LICENSE WILL BE GRANTED. THE COMMITTEE APPARENTLY WILL BASE ITS DECISIONS ON A VARIETY OF FACTORS, INCLUDING THE NATURE OF THE PRODUCT (WITH INDICATIONS THAT GOODS WHICH ARE TOO "FRIVOLOUS" OR TOO "LUXURIOUS" WILL BE RESTRICTED); CURRENT AVAILABILITY OF THE ITEM IN LOCAL STOCKS; THE CONDITIONS OF PORT, TRANSPORTATION, AND HANDLING FACILITIES.

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TIES; AND, PERHAPS MOST IMPORTANT, THE EXISTENCE AND EXTENT OF LOCAL MANUFACTURE.

- DESPITE THESE POSSIBLE CONSTRAINTS, US EXPORTS WILL CONTINUE TO ENJOY THE ADVANTAGES OF A SUBSTANTIAL DEGREE OF CONCESSIONAL FINANCING. SALES OF ITEMS SO FINANCED, TOGETHER WITH ORDINARY COMMERCIAL TRANSACTIONS, ARE LIKELY TO MEAN A SUSTAINED HIGH LEVEL OF U.S. EXPORTS TO THE 40 MILLION-PERSON EGYPTIAN MARKET. ELTS

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